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# A TRULY BEARABLE GUIDE



# TO San Francisco's **BUDGET**

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# A message on San Francisco's budget from Supervisor Louise Renne.



San Francisco's budget is much more than just a set of numbers. By allocating funds to various departments and programs, the Mayor and the Board of Supervisors set priorities for government action in the coming year. Public input is essential to the budget process but, as

Chair of the Board's Finance Committee, I have found that the complexity of San Francisco's budget makes citizen participation difficult.

This booklet is an attempt to deal with that complexity and I hope it helps to clarify the budget process. We have tried to show how the budget is developed, the people involved in its development and the major sources of revenue and expenditures.

Finally, I am grateful to Phil Frank and Joe Troise for their outstanding efforts to produce this booklet. I also thank all the budget "players" at City Hall for their helpful suggestions. Like the budget itself, this book is a team effort, giving all of us a straightforward understanding of where San Francisco's money comes from and how it is spent.

*Louise H. Renne*

Louise Renne

# A GUIDE TO THE BUDGET

From Supervisor Louise Renne

## Welcome to the Budget Book . . .

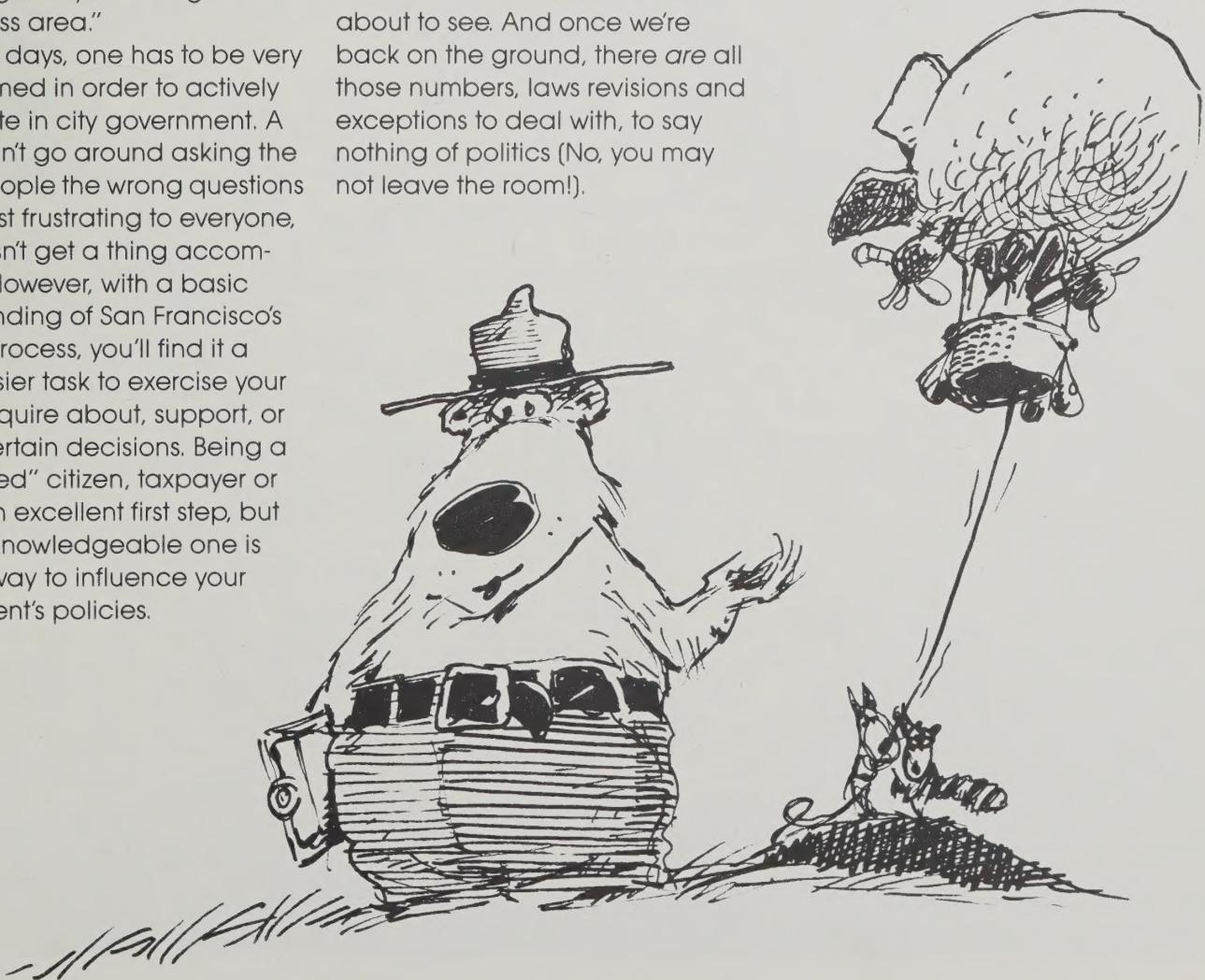


Hello, my name is Alphonse. I'm the official Budget Bear for the City of San Francisco, and if you don't mind, I'd like to guide you through this "wilderness area."

These days, one has to be very well informed in order to actively participate in city government. A citizen can't go around asking the wrong people the wrong questions —that's just frustrating to everyone, and doesn't get a thing accomplished. However, with a basic understanding of San Francisco's budget process, you'll find it a much easier task to exercise your right to inquire about, support, or protest certain decisions. Being a "concerned" citizen, taxpayer or voter is an excellent first step, but being a knowledgeable one is the best way to influence your government's policies.

O.K., no more speeches, I promise. But we'd better get going while the light's still good. Stay close to me for the first few pages. It gets a little scary during this brief . . . ahem . . . overview we're about to see. And once we're back on the ground, there are all those numbers, laws revisions and exceptions to deal with, to say nothing of politics (No, you may not leave the room!).

By the way, you'll see a number of little furry creatures running around. They are city residents, just like you, and they'll be assisting us along the way.



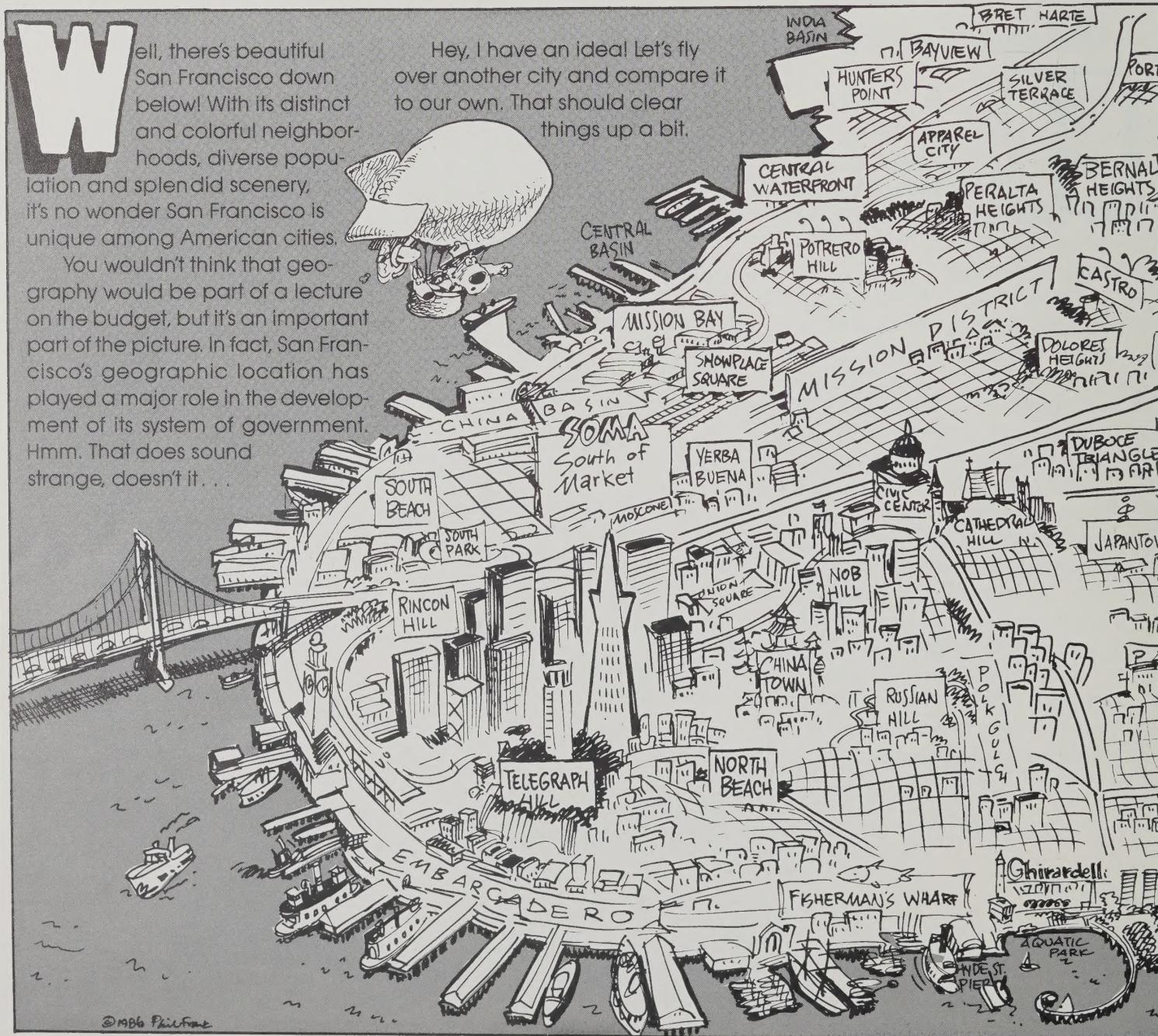
# A GUIDE TO THE BUDGET

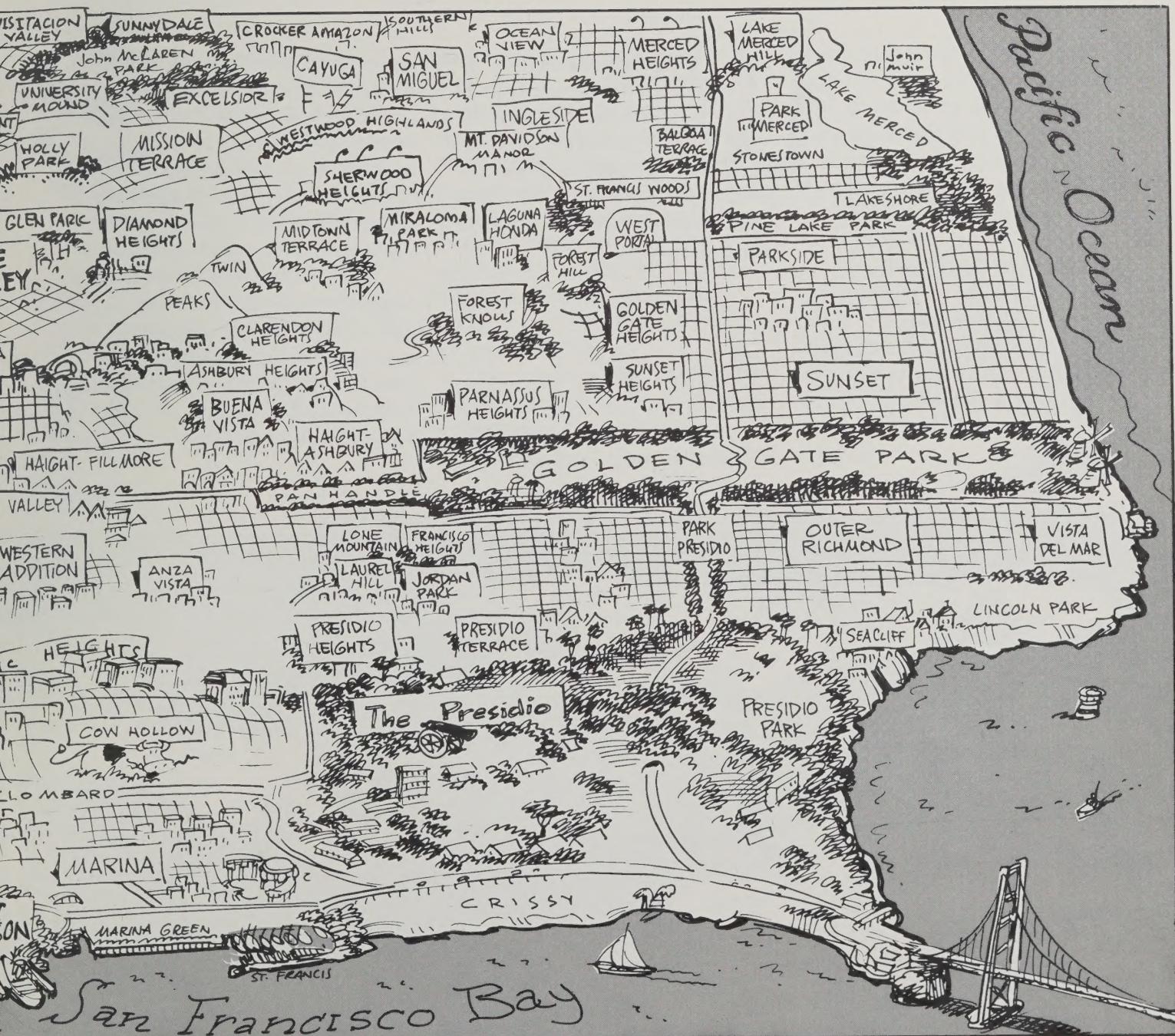
From Supervisor Louise Renne

**W**ell, there's beautiful San Francisco down below! With its distinct and colorful neighborhoods, diverse population and splendid scenery, it's no wonder San Francisco is unique among American cities.

You wouldn't think that geography would be part of a lecture on the budget, but it's an important part of the picture. In fact, San Francisco's geographic location has played a major role in the development of its system of government. Hmm. That does sound strange, doesn't it...

Hey, I have an idea! Let's fly over another city and compare it to our own. That should clear things up a bit.





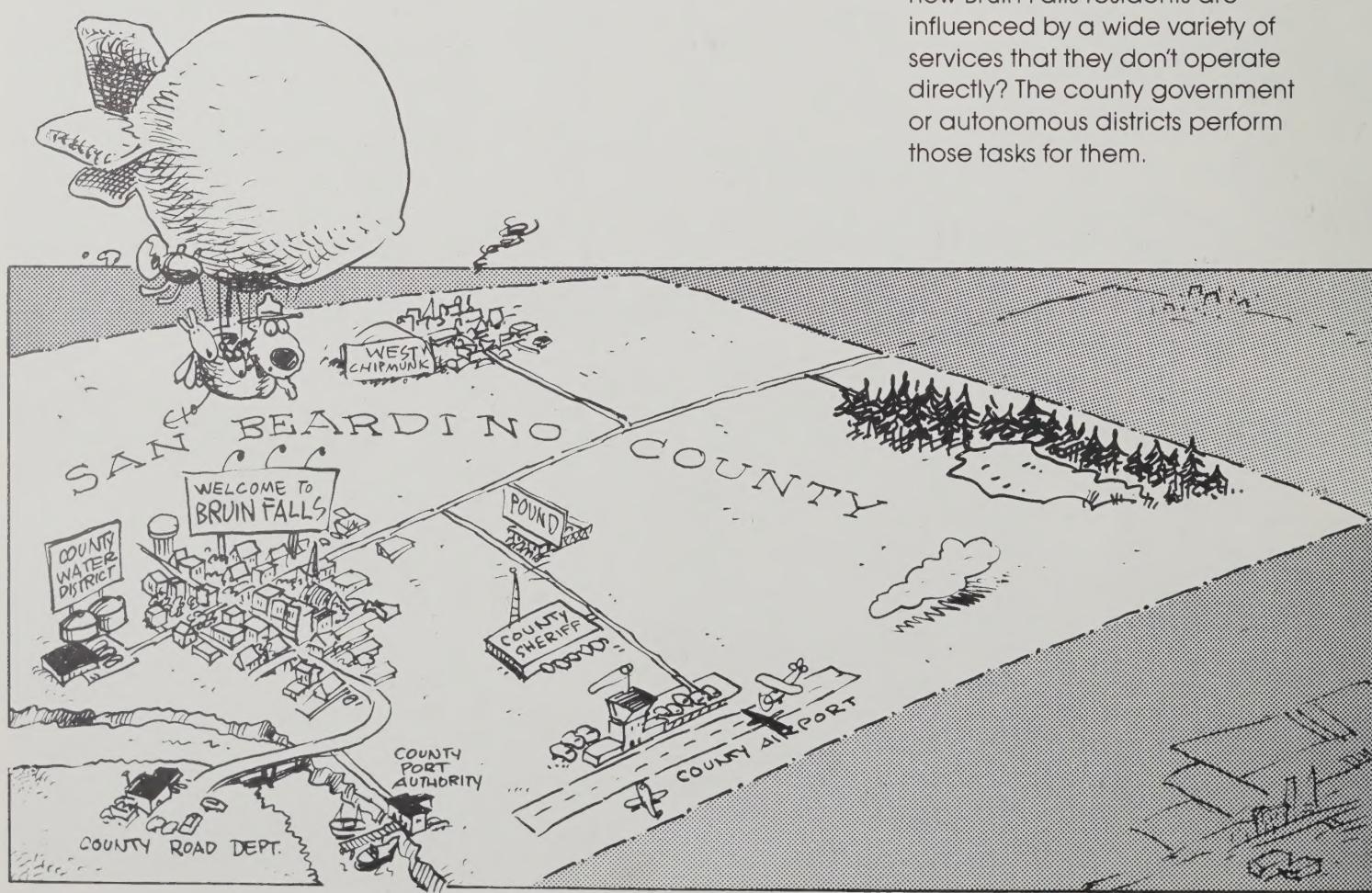
# A GUIDE TO THE BUDGET

From Supervisor Louise Renne

**R**ight there's my old home town, Bruin Falls, just down highway 12 from West Chipmunk. It exercises its powers of government within its boundaries, just like nearby cities take care of their own territory.

Notice that Bruin Falls lies in San Beardino County, where both county and independent districts intervene and provide additional services, such as the airport authority, the harbor, the sheriff's department, highway department, and even the dog pound.

Can you see from way up here how Bruin Falls residents are influenced by a wide variety of services that they don't operate directly? The county government or autonomous districts perform those tasks for them.



**S**an Francisco doesn't operate like Bruin Falls, though, since it's the only combined City and County within the State of California, and one of the very few city/county mergers in the whole country.

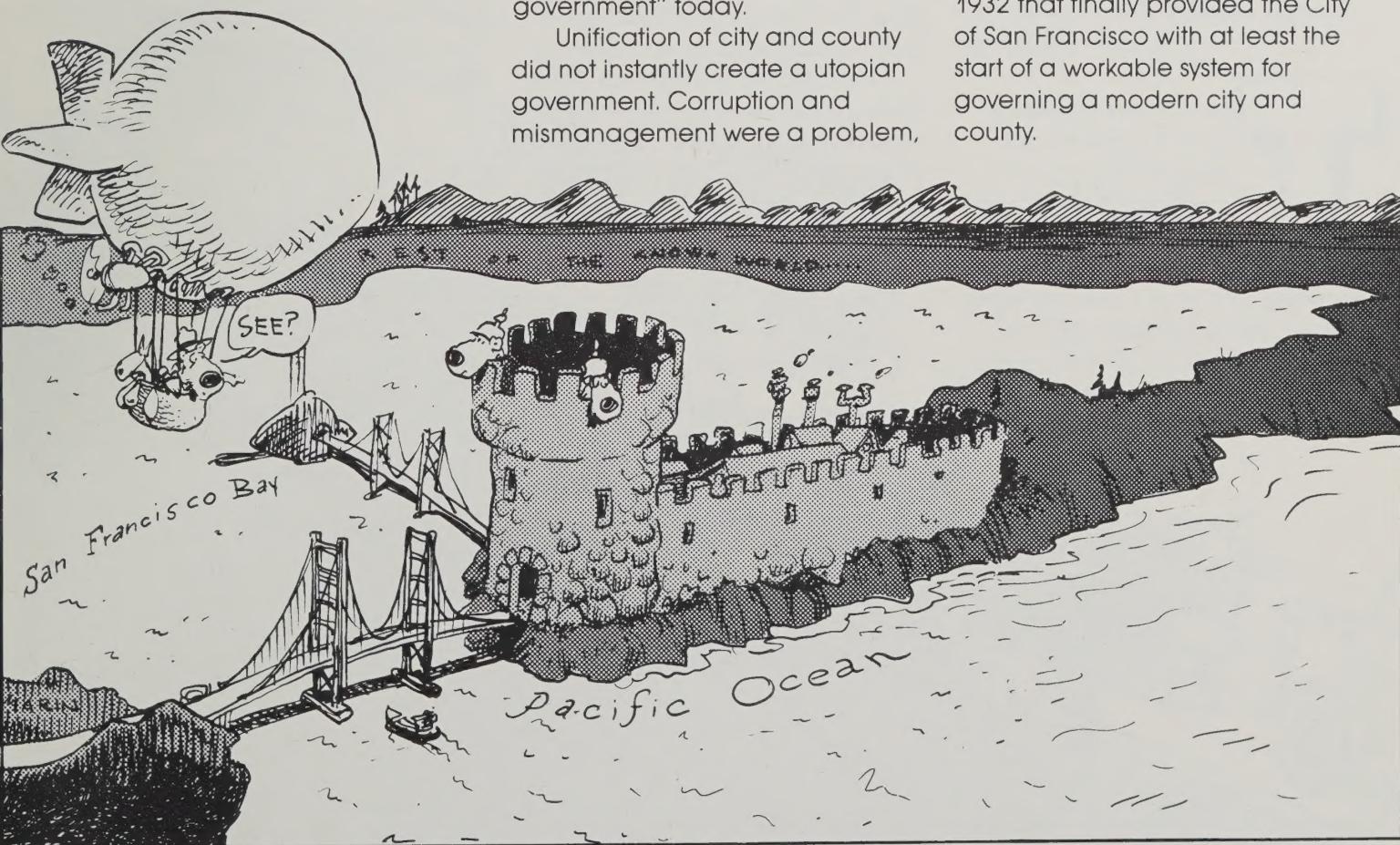
Bordered by water on three sides, the San Francisco peninsula was destined to be different from

most other cities. The practicality of the city's natural boundaries was recognized as early as 1860, when the California legislature passed the Consolidation Act. This law not only gave San Francisco its present size and shape, but also combined the formerly separate City and County of San Francisco into one governing body. And so it remains a "dual government" today.

Unification of city and county did not instantly create a utopian government. Corruption and mismanagement were a problem,

and throughout the late 1800's San Francisco's inability to establish sound budgetary principles, as well as to break its reliance upon the state legislature, became an increasing hindrance to the promise of sound municipal government.

The Charter of 1898 was a positive step in governmental reform, but it was the Charter of 1932 that finally provided the City of San Francisco with at least the start of a workable system for governing a modern city and county.



# A GUIDE TO THE BUDGET

*From Supervisor Louise Renne*



The Charter of 1932 is still the basis for our present-day government. For the first time, responsibility for the

budget was placed squarely in the Mayor's office. A Chief Administrative Officer was instituted to oversee a number of city departments, and the office of Controller

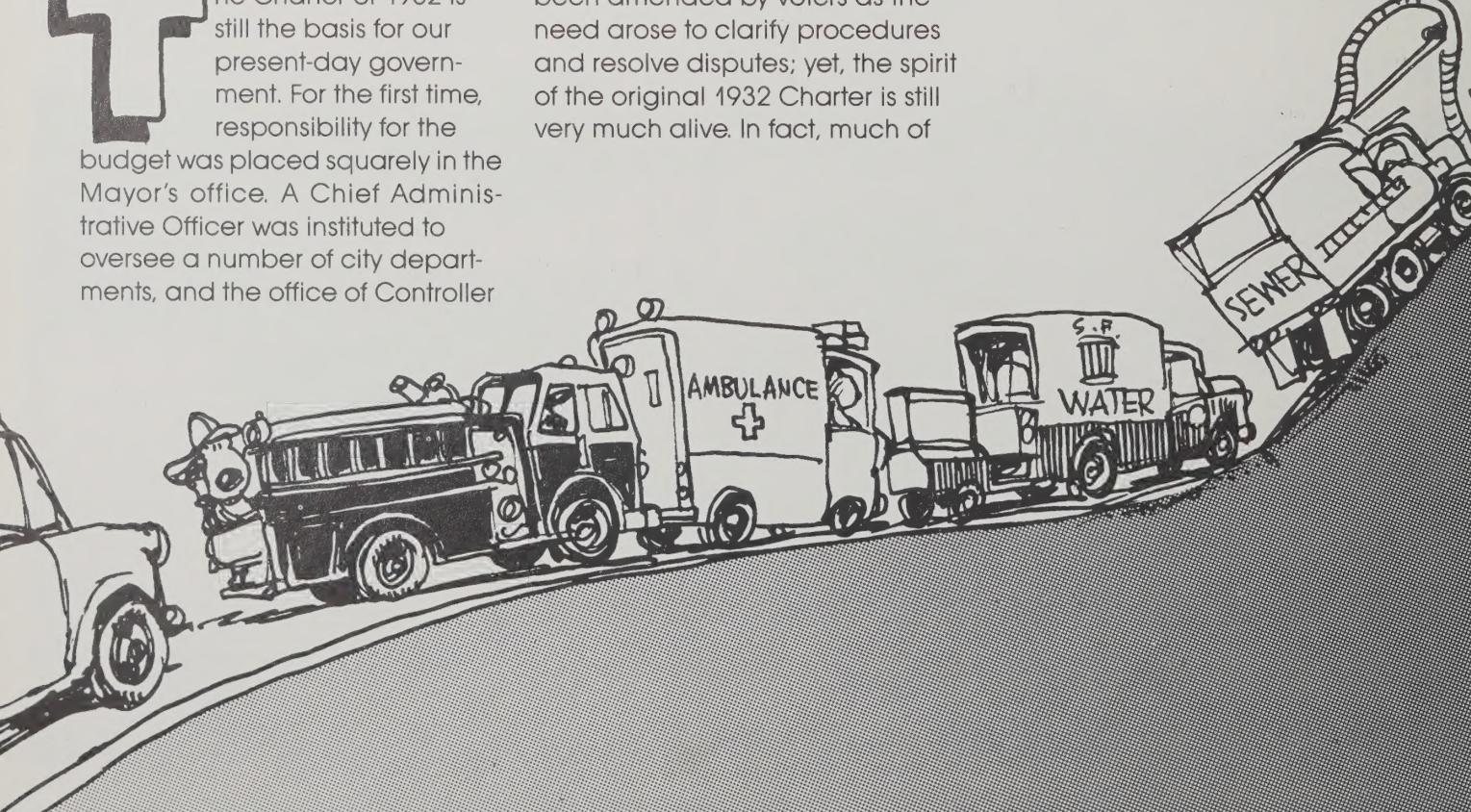
was created to help manage the city's financial affairs. This system was designed to guard against too much centralization of power in city government, yet it established visible areas of responsibility for the management of the city's budget.

As a further way of balancing power in city government, The Board of Supervisors, now pared down to 11 in number, was given both legislative and veto powers.

The Charter of 1932 has often been amended by voters as the need arose to clarify procedures and resolve disputes; yet, the spirit of the original 1932 Charter is still very much alive. In fact, much of

the current budget's make-up is derived from the rules set down well over 50 years ago.

The most immediate effect, then, of a city/county merger is that the City of San Francisco performs tasks of government far beyond the scope of most American cities, providing not only the basic services necessary to any large metropolis, but also taking on the roles normally allocated to a County government and/or autonomous districts.



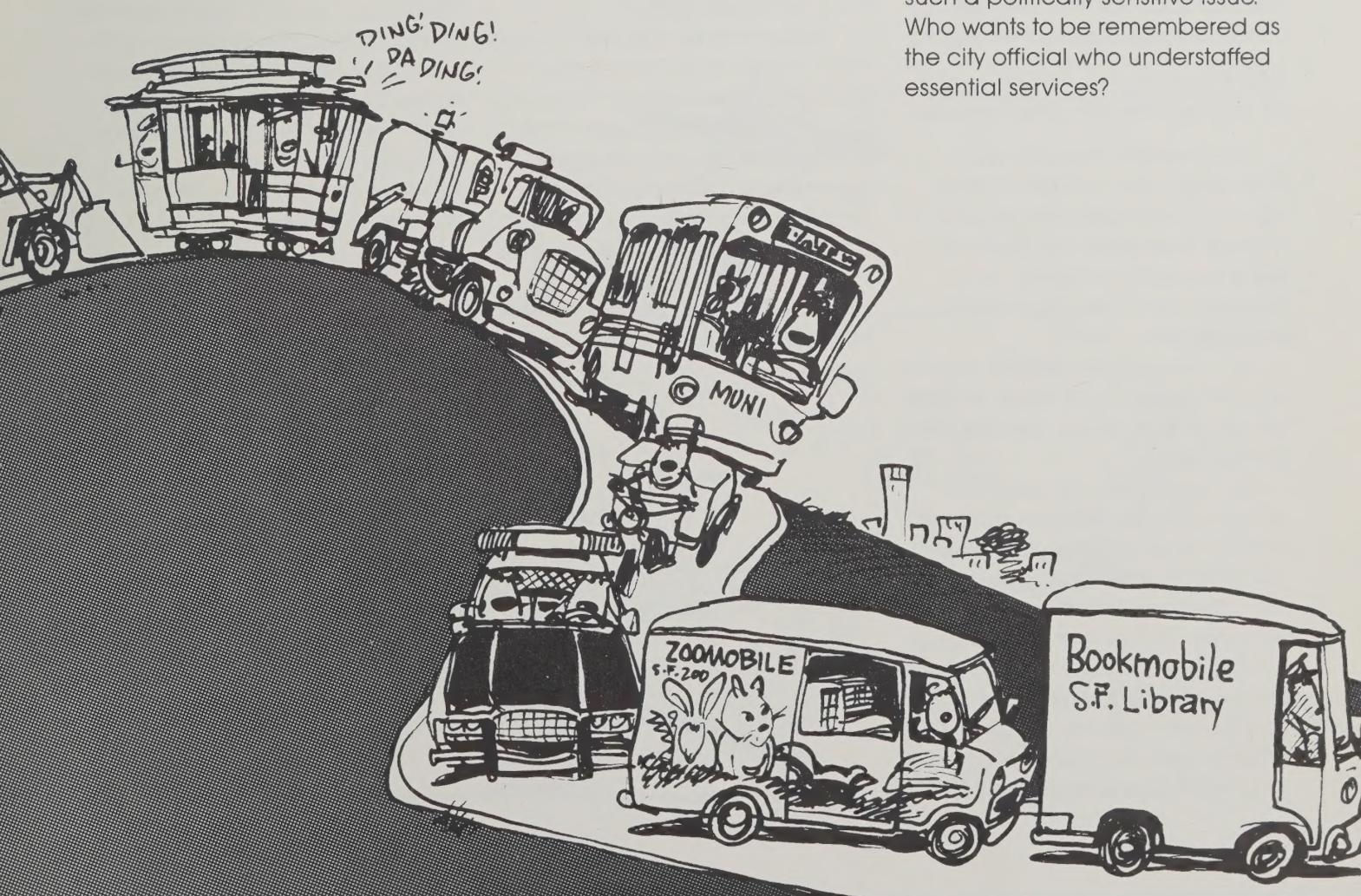
# A

All this extra work requires a great number of people and plenty of funding. That's also why our city budget is so vast and so complicated.

Think about it. San Francisco is running its own hospitals, port facility, airport, road crews, county law enforcement, as well as supplying services to hundreds of thousands of tourists and commuters! . . .

Is it any wonder that even a summary of the city budget runs well over 300 pages?

Quite an impressive array of equipment down there, wouldn't you say? And it's like that every working day. Needless to say, you'd expect payroll costs alone to make up a significant part of the expenditures in the budget, and, as in most cities, they do! That's one reason why budget-cutting is such a politically sensitive issue. Who wants to be remembered as the city official who understaffed essential services?



# A GUIDE TO THE BUDGET

From Supervisor Louise Renne

## THE MAKING OF A BUDGET



### A Question of Balance

The Constitution of the State of California requires all cities to adopt a balanced budget. In theory, the principle of balancing a budget seems simple enough:

Total city revenues = Total cost of all city departments and services.

Expressed in this way, as a logical formula, budget balancing could be compared to balancing one's personal finances, like a checking account, or to running a small business, like a delicatessen.

It's in the day to day life of big-city government, however, that the act of budgeting gets very complicated.

To begin with, very few individuals have to estimate portions of their revenues and expenses as far as 18 months in advance, as the City of San Francisco must. Moreover, it's the rare individual or small business that is under numerous legal constraints regarding how income may be sought and/or spent; but San Francisco is required to heed restrictions from

both its own charter as well as from amendments to the California Constitution, such as Proposition 13 (Jarvis-Gann).

These realities are both a help and a hindrance. On the one hand, yearly escalations in spending and taxation are kept small; on the other, our city's budget cannot easily manage unexpected shortfalls in revenue, such as the loss of Federal monies due to the Gramm-Rudman Act. So, money cannot be quickly moved from one group of city services to cover deficiencies.

In short, the budget is a fairly inflexible structure—more so than most people realize. Once it leans toward imbalance, due to revenue losses or inaccurate planning, it becomes difficult to bring it back to the balance point. This budgetary "inertia" is a force that both city officials and citizens alike must constantly deal with and learn to overcome.



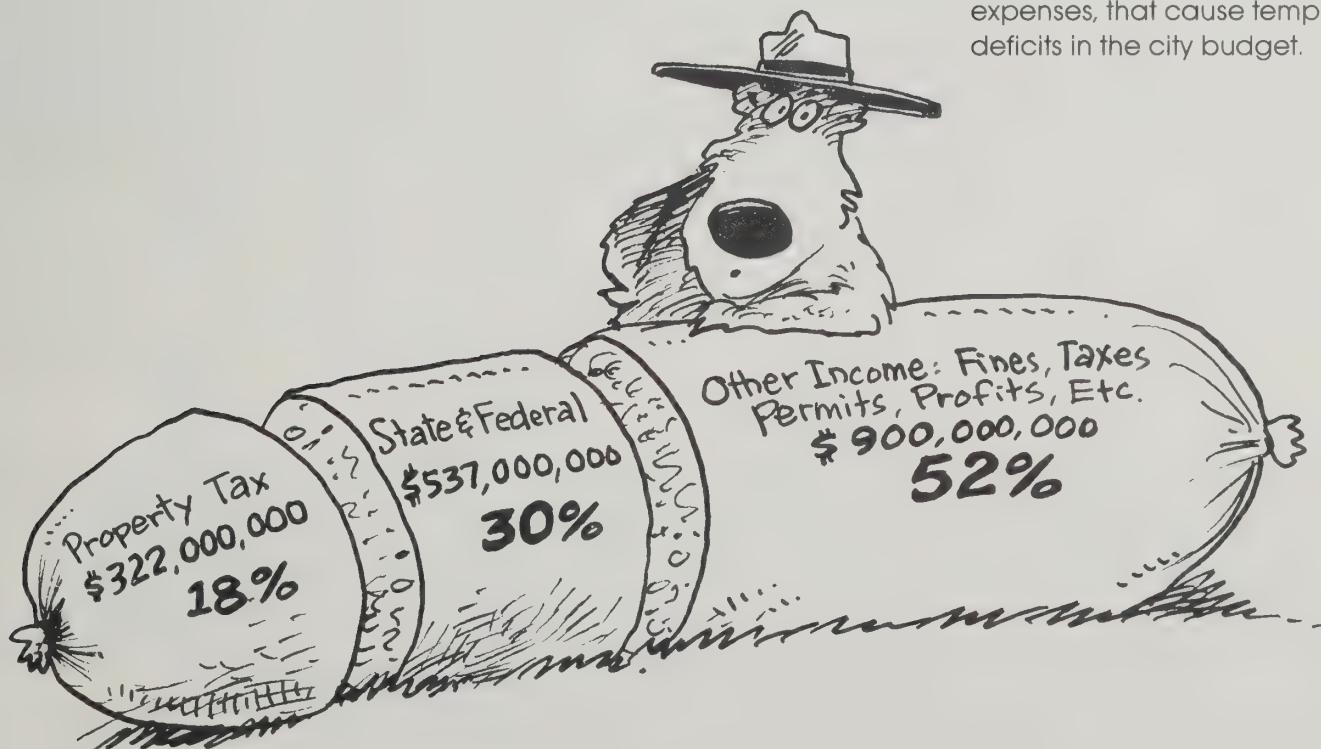
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## The Source of The City's Revenues

Each new budget is based on a projection of revenues expected 18 months in advance of the actual budget for the coming Fiscal Year (July 1-June 30). Planning for any given fiscal year starts much earlier, of course, as the Budget Flow Chart on Pages 12-13 will show.

Here's a simple chart showing the city's primary revenue sources. Keep in mind that these figures are only approximations from an older city budget.

If you went back into the city records and checked to see if the total revenue figure of 1.7 billion was actually collected for this older budget, you'd find, more likely than not, that some of the projected revenue did not come through. It is this type of unpleasant surprise, along with unexpected increases in projected expenses, that cause temporary deficits in the city budget.



# A GUIDE TO THE BUDGET

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## The Budget Process

In which a thundering herd of untamed data

### Mayor's Projections

Future revenues are projected by the Mayor's office and budget instructions presented to all city departments (October-December).

### Department Budget Estimates

Spending and revenue estimates are prepared by individual city and county departments and filed with the Controller. (Jan-Mar).

### Controller's Verification

The Controller's Office verifies the figures submitted by each department and consolidates the budget estimates for submission to the Mayor by April 18.

### Mayor's Review

The Mayor holds public hearings to gain public comment on the proposed budget, reviews the department's spending proposals and prepares a proposed overall budget for submission to the Board of Supervisors by June 1.

### Interim Budget Adoption

The Finance Committee reviews the Mayor's budget and recommends reservations on spending for the Interim Budget period, July 1 — August 20.

### Salary Standardization Ordinances

The Civil Service Commission recommends salary and supplemental benefits for city and county employees and prepares recommended salary standardization ordinance to the Board of Supervisors by April 1.

### Capital Improvements Budget

The Department of City Planning prepares a list of capital improvements to be included in the budget, together with an updated plan for the next five years. The Capital Improvement Advisory Committee makes its final recommendations to the Mayor and Board of Supervisors.



It may look very complicated but actually .. it is!

# Process in San Francisco

corralled into a 3300-page holding pen.

## Board of Supervisors' Review

The Finance Committee of the Board of Supervisors holds public hearings to gain public comment on the proposed budget and makes its recommendations to the full Board (June – July).

## Budget Adoption by Board

The Board of Supervisors reviews the recommended budget submitted by its Finance Committee and adopts the final budget document by July 21.

## Mayor's Final Action

After the Board of Supervisors has adopted a final budget, the Mayor has power to veto or reduce any item (with certain exceptions) within ten days.

## Supervisors' Final Action

The Board of Supervisors may act to override any veto by August 10.

## The Final Budget

The Final Budget replaces the Interim Budget and takes effect upon approval (late August).

Look at that chart flow!

Congratulations...  
It's a budget!



# A GUIDE TO THE BUDGET

From Supervisor Louise Renne



## Fund Accounting

Let's take a few minutes to talk about Fund Accounting.



No, Accounting isn't much fun, but it's absolutely necessary for the management of large sums of money that are earmarked for specific purposes.

San Francisco uses a method called Fund Accounting, and it's worth your while to understand it before you take on the budget single-handedly or in concert.

Fund Accounting is a system which conveniently divides the city's revenues into smaller accounts, making each account or "fund" easier to identify, to track, and to

disperse, according to the rules governing that fund.

Without Fund Accounting, it's likely that a real mess would ensue! Why? Because the source of revenue often controls its use.

For example, revenue collected from the Municipal Railway's fares must go to support that system, and revenue from the Federal government for highway repair must be spent on highways. If one were to lump all the city's revenues together, what would prevent the city from misjudging

how much money it had for each task, or, worse yet, from spending revenues illegally?

Fortunately, there is a fund to handle all unrestricted revenues. This is called the *General Fund*, and with few exceptions, any monies legally placed here by the city can be spent as deemed necessary.

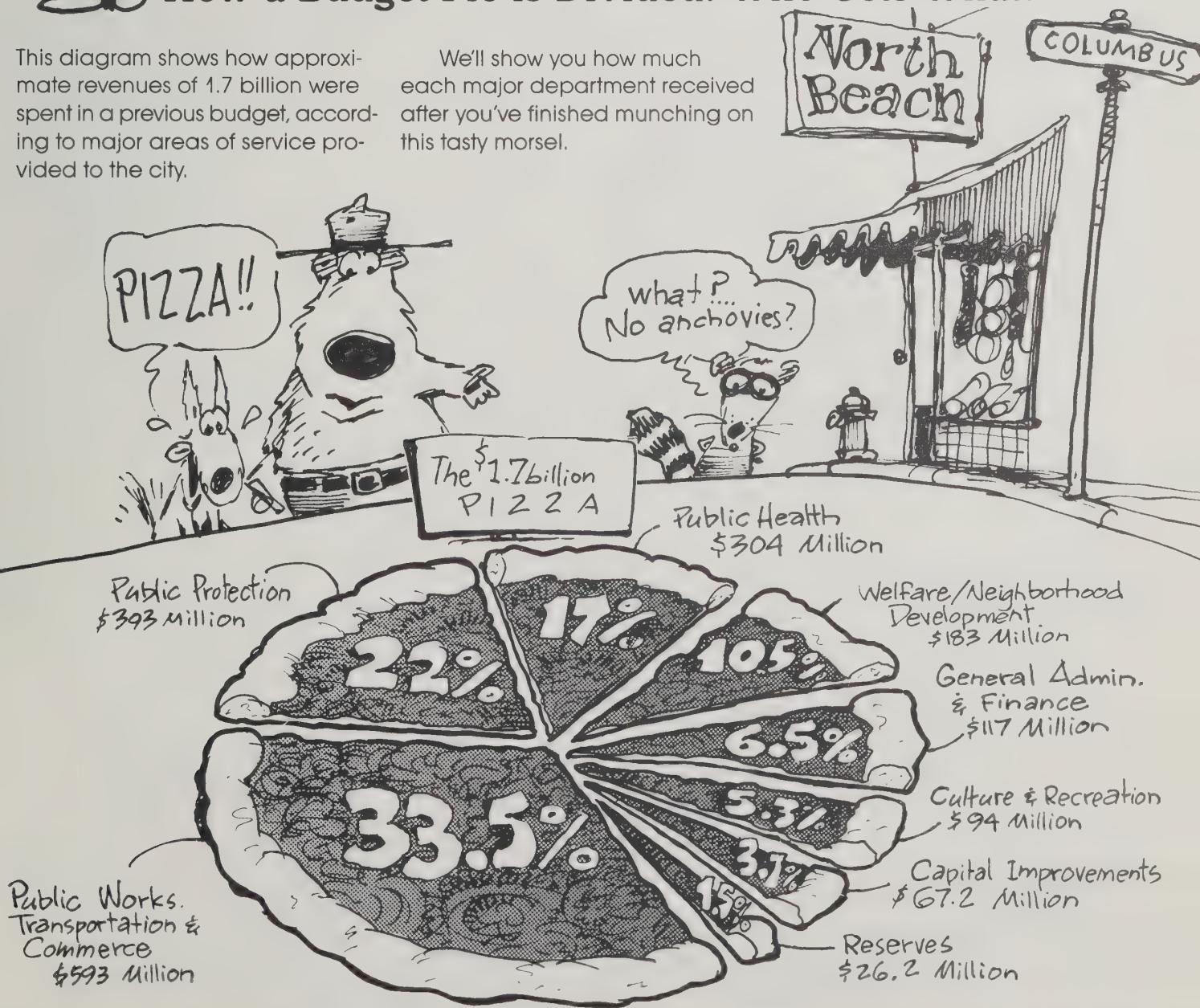
As you have probably guessed, the General Fund gets a great deal of attention from city officials and citizens alike, since it is the fund with the most flexibility.



## How a Budget Pie is Divided: Who Gets What?

This diagram shows how approximate revenues of 1.7 billion were spent in a previous budget, according to major areas of service provided to the city.

We'll show you how much each major department received after you've finished munching on this tasty morsel.



# A GUIDE TO THE BUDGET

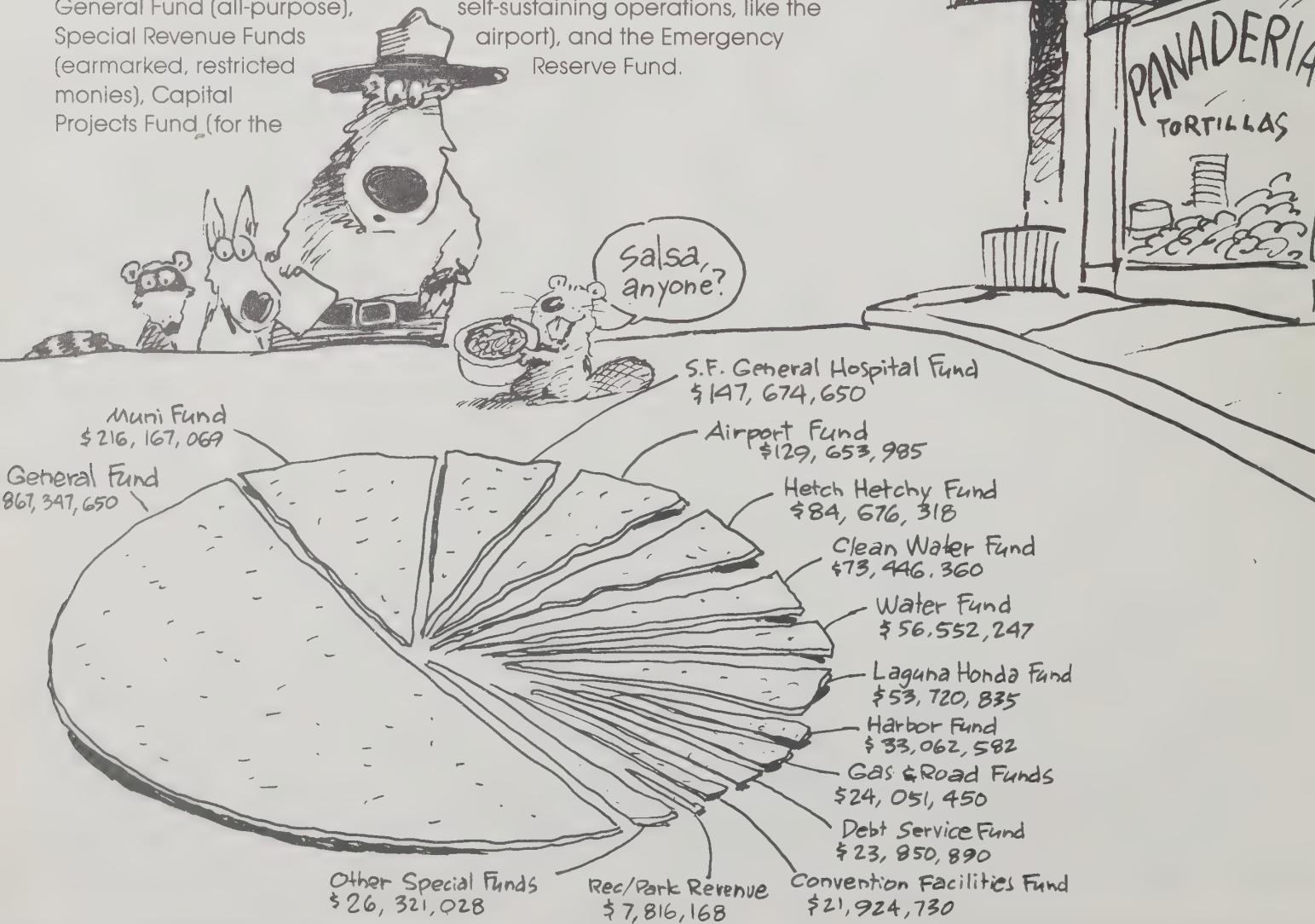
From Supervisor Louise Renne



## The Operating Funds

Our city's services are managed by different types of funds, as this Mission Street tortilla illustrates. The really important funds are the General Fund (all-purpose), Special Revenue Funds (earmarked, restricted monies), Capital Projects Fund (for the

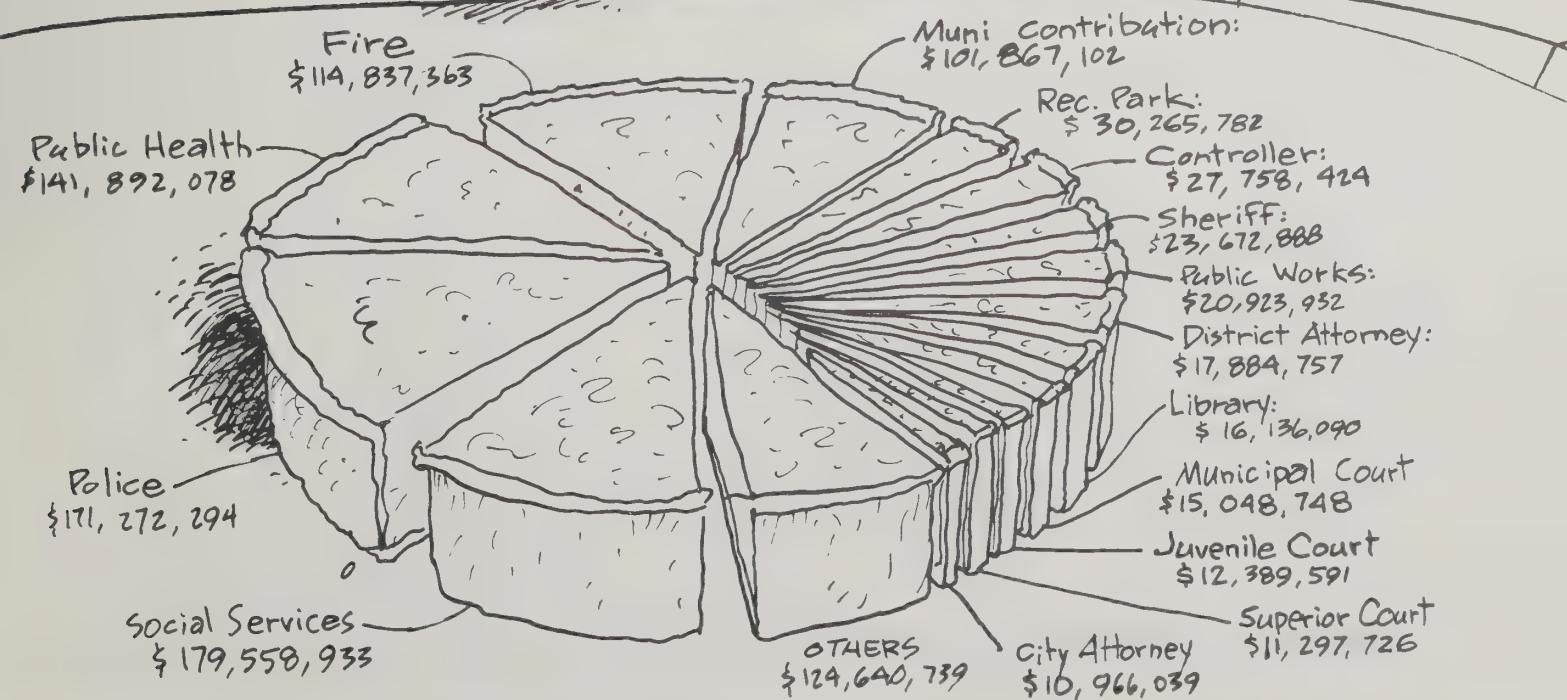
proceeds of a capital improvements bond issue), Debt Service Funds (paying the city's loan debts), Enterprise Funds (revenues from self-sustaining operations, like the airport), and the Emergency Reserve Fund.



# 6 The General Fund

Now it's time to divide up this tasty General Fund quiche. You'll notice that the General Fund totally supports some departments, such as Police, but only partially supports Muni, which generates revenues of its own. Sometimes, the General Fund actually receives money from

other profit-making enterprise funds, like Hetch Hetchy and the Airport.

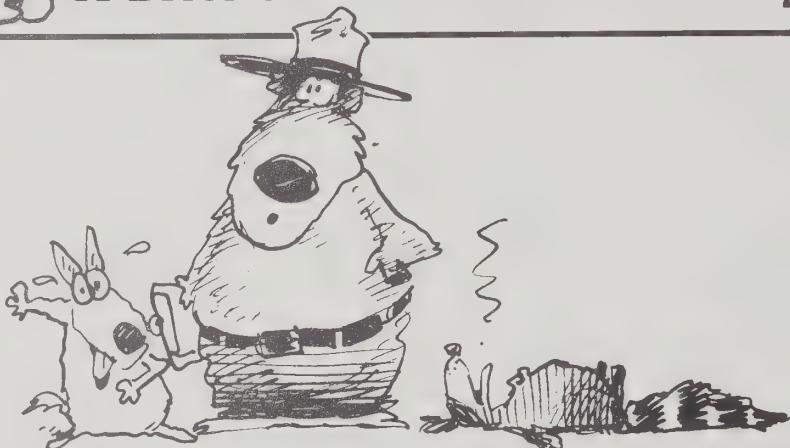


# A GUIDE TO THE BUDGET

From Supervisor Louise Renne



## A Brief but Bear-able Summary



O.K., it's break time! Stretch those arms and legs for a minute while I help you review some of the important things we've encountered on our budget tour.

1. Your city is unique in many ways, and so is its budget, due to the dual role San Francisco plays as a city/county government.
2. Budgets have a long "lead-time." Planning starts long before the fiscal year begins. Revenues are "guesimated" and expenditures can change. A balanced budget is a moving target.
3. Fund accounting is a budgetary system which organizes and restricts the disbursement of the city's revenues.
4. State and Federal legislation often limit the city's options for increasing its revenue, and place restrictions on how it may be spent.



## The Questions Most Frequently Asked by Citizens



If the city can build a downtown stadium, why can't it enhance the services in my neighborhood?



Capital improvements projects can often be funded by bond issues or private funds, but city services are supported by the funds allocated for that purpose. More police or street cleaners for your neighborhood cannot be funded by money earmarked for capital improvements by voters, nor, for that matter, could MUNI fares be decreased by using Federal money earmarked for street resurfacing. It would be illegal.

A new tax or an increase of an old tax might help your situation, but the voters would have to approve it, probably by a two-thirds vote, according to the state constitutional amendment known as the Gann Initiative. Such a large favorable vote on a tax issue is not easy to get.

#### **What happened to the city's surplus of a few years ago?**



A good portion of the "one-time" surplus was spent on the city's badly deteriorated infrastructure—public buildings, parks, museums, statues and monuments, street repair, etc. Additional money went to MUNI and to a Revenue Reduction Package, which reduced the Business Tax and the Muni Fast Pass at that time.

The term "surplus" will probably disappear from City Hall's vocabulary soon enough,

for two reasons: One, it's a troublesome term in that it implies "left-over money," when in fact it's more like "unspent money at this moment in time"; and two, with San Francisco's budget so vulnerable to state and Federal cut-backs, the chances for any real surplus in the foreseeable future are not good.

#### **Do any city departments or agencies make a profit?**



Yes. Profit-making operations include the Airport, the Water Department, the Farmers' Market, the Parking Authority, Hetch Hetchy, the Port, and Marina Yacht Harbor.

#### **Isn't our city overstaffed?**



There's no denying that the city's payroll is quite large. But given the number of services San Francisco must provide as both a city and a county government, cutting back on personnel is difficult. Steps have been taken to substantially reduce payroll costs by not filling certain positions which have fallen vacant, and which do not affect essential services by their absence.

#### **How can the average citizen get involved in the budget process?**



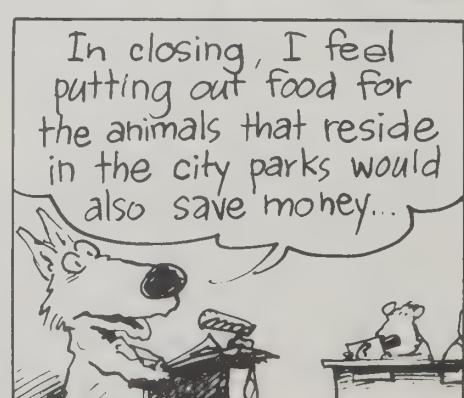
You can attend hearings, study the proposed budget summaries which are available, talk to those individuals responsible for drafting the budget, and form support groups with people who share your concerns.

# A GUIDE TO THE BUDGET

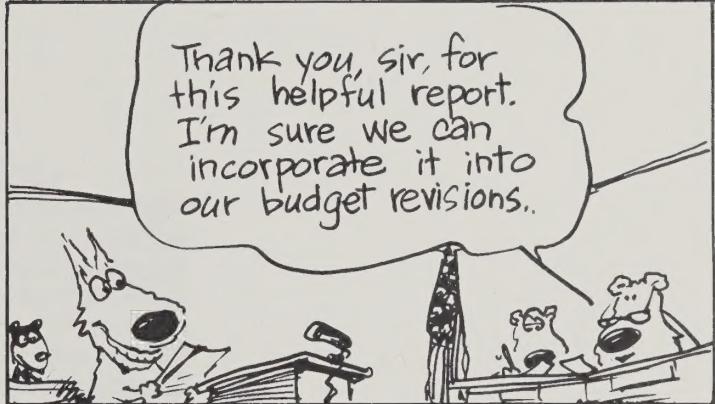
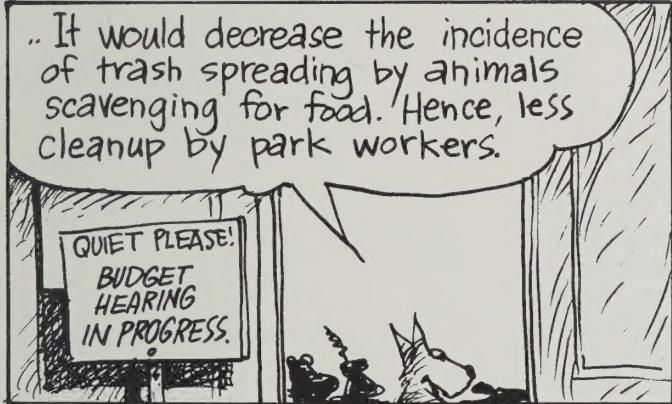
From Supervisor Louise Renne



## Some Helpful Hints for Citizens Wishing to Participate



## in the Budget Process



**C**artoons make things look easy, don't they? Well, maybe the Dog and the Racoon will get some money for the park animals. . . I sure hope so. But at least there are two citizens who started off on the right foot. First they got together for mutual support, then they learned about the

budget process timetable, studied the budget proposal carefully, found out which city official handled which part of the budget, and even took this tour so they could learn the basic legal, political and economic factors that work for and against budget changes.

I tell you, it makes a bear feel proud!



## **Epilogue**

"During the preparation of this booklet, I was appointed City Attorney of San Francisco. As a result, distribution of this budget guide becomes something of a farewell gesture for me as Chairperson of the Finance Committee of the San Francisco Board of Supervisors.

It has been my great honor to serve the citizens of San Francisco as a member of the Board of Supervisors. I look forward to continuing my service to San Francisco in the years to come."

-Louise Renne



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